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MEMORANDUM

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FROM: Steven M. Olea
Director
Utilities Division

Arizona Corporation Commission

DOCKETED

SEP 17 2010

2010 SEP 17 P 2:08

AZ CORP COMMISSION
DOCKET CONTROL

DATE: September 17, 2010

DOCKETED BY

RE: STAFF REPORT FOR THE APPLICATION FOR APPROVAL OF SALE OF ASSETS AND TRANSFER OF CERTIFICATE OF CONVENIENCE AND NECESSITY OF WINCHESTER WATER, LLC FROM MANAGING PARTNER CHARLES D. CARDINAL AND PARTNER PENNY CARDINAL TO NEW MANAGINGS PARTNER PHIL AUERNHEIMER AND PARTNER PHYLLIS AUERNHEIMER (DOCKET NO: W-04081A-10-0145)

Attached is the Staff Report for the transfer of the Certificate of Convenience and Necessity and Sale of Assets of Winchester Water Company, LLC. Staff recommends approval.

SMO:KMS:red

Originator: Kiana M. Sears

Service List for: WINCHESTER WATER COMPANY, LLC.
Docket No. W-04081A-10-0145

Mr. Phil Auernheimer
Winchester Water Company, LLC.
7608 North La Cholla Boulevard
Tucson, Arizona 85741

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

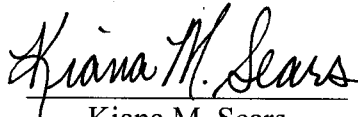
WINCHESTER WATER COMPANY, LLC.
DOCKET NO. W-04081A-10-0145

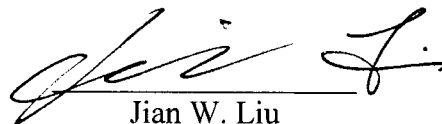
APPROVAL OF SALE AND TRANSFER OF CERTIFICATE OF CONVENIENCE
AND NECESSITY OF WINCHESTER, LLC.FROM MANAGING PARTNER
CHARLES D. CARDINAL AND PENNY CARDINAL TO NEW MANAGING
PARTNER PHIL AUERNHEIMER AND PHYLLIS AUERNHEIMER

SEPTEMBER 17, 2010

STAFF ACKNOWLEDGMENT

The Staff Report for Winchester Water Company, LLC, Docket No. W-04081A-10-0145 was prepared by the Staff members shown below.


Kiana M. Sears
Executive Consultant I


Jian W. Liu
Utilities Engineer

EXECUTIVE SUMMARY
WINCHESTER WATER COMPANY, LLC.
DOCKET NO. W-04081A-10-0145

On April 12, 2010, Winchester Water Company, LLC. ("Winchester Water Company" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for approval to sell and transfer the ownership of the assets as well as the Certificate of Convenience and Necessity ("CC&N") of Winchester Water Company from Managing Partner Charles D. Cardinal and Penny Cardinal to new Managing Partner Phil Auernheimer and Phyllis Auernheimer. Winchester Water Company, LLC is an Arizona non-profit corporation providing water service to approximately 137 connections in Cochise County, Arizona.

The certified water operator for the system is Mr. Chuck Sumner of Whetstone Environmental Services, LLC. He will remain the operator after the transfer. The Company currently has a pending rate application before the Arizona Corporation Commission.

The Managing Partner of the Company is changing at this time because the former owners are physically unable to cover the daily operations of the Company. The outgoing Managing Partners have mentored the new Managing Partner to take over the Company, so it will be a seamless transfer.

Staff recommends that the Commission approve the sale and transfer of the assets of Winchester Water Company and the transfer of the Company's CC&N.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
BACKGROUND.....	1
COMPANY WATER SYSTEM.....	1
OPERATION AND RATES.....	1
COMPLIANCE.....	2
RECOMMENDATION	2

ATTACHMENT(S)

ENGINEERING REPORT.....	A
ENGINEERING MAP	B

INTRODUCTION

On April 12, 2010, Winchester Water Company, LLC ("Winchester Water Company" or "Company") filed an application with the Arizona Corporation Commission ("Commission") requesting approval to sell the assets of Winchester Water Company, LLC, and to transfer the Certificate of Convenience and Necessity ("CC&N") of Winchester Water Company from current Managing Partners Charles D. Cardinal and Penny Cardinal to new Managing Partners Phil Auernheimer and Phyllis Auernheimer. If the application for approval to sell and transfer Winchester Water Company's assets and CC&N is approved, the Company will continue to provide service to all the Company's customers.

BACKGROUND

Winchester Water Company, LLC, is an Arizona non-profit corporation providing water service to approximately 137 customers in Cochise County, Arizona. The Company has had the same Managing Partner Charles D. Cardinal and Penny Cardinal for over 22 years. The Cardinals are physically unable to continue to operate the Company and have mentored the new Managing Partner Phil Auernheimer and Phyllis Auernheimer in the running of a water company. This area is a rural area and the former Managing Partners desire is to ensure that the Company is transferred to people who have the same goal as they did; to provide clean and safe water to the community.

Staff has conducted an internet search of the new Managing Partner Phil Auernheimer and Phyllis Auernheimer. Staff found no outstanding judgments or allegations against the couple. The couple formerly owned and operated Desert Racing Association for 23 years. Mrs. Auernheimer currently works for the Arizona Board of Regents. While Mr. Auernheimer is retired and serves as the Chairman of New Birth Mexican Mission. There were no judgments or bankruptcies against the former business and none pending against the current Limited Liability Corporation.

COMPANY WATER SYSTEM

The Company has two wells, two 2,000 gallon pressure tanks, three storage tanks and a distribution system serving 137 metered connections. Staff concludes that this system has adequate production and storage capacity.

OPERATION AND RATES

The certified operator of the Company Mr. Chuck Sumner of Whetstone Environmental Services, LLC will continue as the certified operator. The Company is also retaining the services of Ms. Maryanne Wagner who has been responsible for the books for the Company for many years. Staff found the book keeping and accounting of Ms. Wagner to be in line with the guidelines of the National Association of Regulatory Utility Commissioners ("NARUC"). The Company is currently before the Arizona Corporation Commission with a pending rate case.

COMPLIANCE

A check of the Arizona Corporation Commission Utilities Division Compliance Database showed no delinquent compliance items for Winchester Water Company. The Company is not within any Active Management Area ("AMA") and consequently is not subject to AMA reporting. ADWR reported that it has determined that Winchester Water Company is currently in compliance with departmental requirements governing water providers and/or community water systems.

The Arizona Department of Environmental Quality ("ADEQ") regulates Winchester Water Company under ADEQ Public Water System I.D. No. 01-001. ADEQ has determined that this system is in full compliance with ADEQ requirements and is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

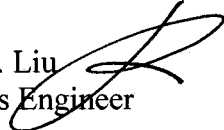
RECOMMENDATION

Staff recommends that the Commission approve the sale and transfer of the assets as well as the transfer of the CC&N of Winchester Water Company, from the current Managing Partners Charles D. Cardinal and Penny Cardinal to the new Managing Partners Phil Auernheimer and Phyllis Auernheimer.

MEMORANDUM

DATE: August 20, 2010

TO: Kiana Sears
Executive Consultant

FROM: Jian W. Liu 
Utilities Engineer

RE: In the matter of the application of Winchester Water Company L.L.C. for
Approval to Transfer Assets and Certificate of Convenience and Necessity
Docket No. W-04081A-10-0145

Introduction

On April 15, 2010, Winchester Water Company L.L.C. ("Winchester Water" or "Company") filed an Application with the Arizona Corporation Commission ("ACC" or "Commission") for approval to sell its water system assets and transfer its Certificate of Convenience and Necessity ("CC&N"). The purpose of this Application is to obtain Commission approval of the transfer of the Company's assets and CC&N from Managing Partner Charles D Cardinal and partner Penny Cardinal to new Managing Partner Phil Auernheimer and partner Phyllis Auernheimer. Winchester holds a CC&N to provide water service in Cochise County, Arizona.

The Company's water system is located approximately 10 miles northwest of Willcox in Cochise County, with a certificated area covering approximately 1/4 square mile. It consists of two wells, two 2,000 gallon pressure tanks, three storage tanks and a distribution system serving 137 metered customers on December 31, 2008.

Buyer Background and Reasons Given in Support of the Proposed Transfer

Phil Auernheimer has accompanied Charles D Cardinal over the past year reading meters, doing inspections and repairs, etc. Mr. Auernheimer has already assumed the day-to-day operation of the Company. Staff believes that Mr. Auernheimer possess the technical knowledge needed to properly operate the water system.

Staff understands that Charles D Cardinal is no longer physically able to properly operate the Company's water system and therefore would like to sell the Company.

Winchester Water Company's Water System

Staff concludes that the Winchester Water system has adequate production capacity and storage capacity to serve the existing customer base and reasonable growth.

Non-Account Water

Non-account water should be 10% or less and never more than 15%. The Company reported the water loss was less than 2.0% each year for last 5 years. Non-account water is within acceptable limits.

Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ regulates the Winchester Water system under ADEQ Public Water System I.D. No. 02-110. ADEQ has determined that this system has no deficiencies and is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. (ADEQ Compliance Status Report dated 04/14/2010).

Arizona Department of Water Resources ("ADWR") Compliance

The Company is not located in any Active Management Area ("AMA") and is not subject to any AMA reporting and conservation requirements. Staff received an ADWR compliance status report on June 23, 2010. ADWR reported that it has determined that Winchester Water Company is currently in compliance with departmental requirements governing water providers and/or community water systems.

ACC Compliance

A check of the Commission Utilities Division Compliance Section database indicated there were no delinquent compliance items for Winchester Water. (ACC Compliance Section Email dated 07/14/2010)

Curtailment Plan and Backflow Prevention Tariff

The Company has approved Curtailment Plan and Backflow Prevention Tariffs on file with the Commission.

Summary

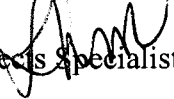
Conclusions


1. The Arizona Department of Environmental Quality ("ADEQ") regulates the Winchester Water Company ("Winchester Water" or "Company") system under ADEQ Public Water System I.D. No. 02-110. ADEQ has determined that this water system has no deficiencies and is currently delivering water that meets the water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4.

2. Winchester Water has approved Curtailment Plan and Backflow Prevention Tariffs on file with the Commission.
3. The Company is not located in any Active Management Area ("AMA") and is not subject to any AMA reporting and conservation requirements. ADWR reported that it has determined that Winchester Water Company is currently in compliance with departmental requirements governing water providers and/or community water systems.
4. Staff concludes that the Winchester Water system has adequate production capacity and storage capacity to serve the existing customer base and reasonable growth.
5. A check of the Commission Utilities Division Compliance Section database indicated there were no delinquent compliance items for Winchester Water.
6. The Company reported the water loss was less than 2.0% each year for last 5 years. Non-account water is within acceptable limits.

M E M O R A N D U M

TO: Kiana Sears
Executive Consultant I
Utilities Division

FROM: Lori H. Miller 
Programs & Projects Specialist II
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: April 27, 2010

RE: **WINCHESTER WATER COMPANY, LLC (DOCKET NO. W-04081A-10-0145)**

Winchester Water Company has filed an application to transfer to Phil Auernheimer.

Attached is a copy of the map for your files.

/lhm

Attachments

cc: Mr. George J. Feulner
Mr. Steven D. Keist
Ms. Deb Person (Hand Carried)
Mr. Jian Liu
Ms. Barb Wells
File


COCHISE COUNTY

RANGE 24 East

 W-04081A (1)
Winchester Water Company, LLC

Winchester Water Company, LLC
Docket No. W-04081A-10-0145
Application to Transfer to
Phil Auernheimer

TOWNSHIP 12 South

06	05	04	03	02	01
07	 08	09	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36